

Accounts Payable Weaknesses

- Accounts payable was only looking for a department signature to pay the invoice. Accounts payable did not perform the traditional functions of ensuring the invoice amount was correct and comparing the vendor invoice to the purchase order, and receiving report for terms, price and quantity. These traditional functions were decentralized and each department head was responsible for compiling the information. Accounts payable prepared the vouchers, attached them to the invoices, and sent the packet to Data Processing for computer input without review. Invoices were not independently compared to the purchase order or receiving documents.

A miscellaneous purchase order file was maintained in accounts payable and after year end, purchase orders that could be linked to paid invoices were matched.

In addition to the details noted in Finding #1, for 22 invoices totaling \$26,903.51 the purchase order referenced on the invoice was not found in the accounting file.

Out of 1727 invoices tested, 108 (6%) were paid without adequate receiving documentation. The BVGC paid \$93,868.06 for these invoices based solely on departmental approvals.

Hoffmeier Communications was overpaid a NET \$179.00 from invoices that were not properly totaled 8.3% of the time. Addition errors ranged from \$100 underpaid to \$200 overpaid.

- Receipt of invoices was not centrally controlled. The invoices received in accounts payable were not logged prior to being routed to the various departments for approval. Also, along with accounts payable, department heads directly accepted invoices for payment from time to time.

Late fees were charged and paid for the following vendors:

<u>Vendor</u>	<u>Invoices Paid Late</u>	<u>Late Fees Paid</u>
Copy World Rentals (vendor #3568)	4 out of 14 invoices (29%)	\$290.68
Copy World Rentals (vendor #3137)	6 out of 34 invoices (17.6%)	\$220.24
Global Imaging System (vendor #5933)	11 out of 65 invoices (16.9%)	\$303.61
Global Imaging System (vendor #6075)	2 out of 12 invoices (16.7%)	\$176.87

Payments were late, but late fees were not charged for the following vendors:

Three months invoices for a contract with General Elevator Company were misplaced. In October 1998, a new invoice was submitted by the General Elevator Company for July, August, September and October 1998 for a total of \$9,400.00, which the BVGC paid on October 14, 1998.

Payment terms, per the contract with Nutrition Management, were: "Manager shall bill Owner on the first day of each month, each such bill to be payable within 30 days. Failure to pay each such invoice within such 30 days period shall result in additional charge to Owner of 1.5% per month on the unpaid balance of such invoice." In 1998, 9 invoices out of 30 (30%) were paid late. Three of these late payments were >30 days late; however, Nutrition Management Services Company did not charge the late fees.

Butler Gas Products Company was paid over 30 days late on 2 out of 38 invoices (5.3%)

Honeywell was paid over 30 days late on 5 out of 17 invoices (29.4%)

Pestco Inc. was paid 4 ½ months late on 1 out of 34 invoices (3%). An invoice dated 9/8/98 was not paid until 1/20/99 after Pestco sent a fax requesting payment for the overdue invoice.

- A partial payment was not tracked to the completion of the project.

The BVGC was under billed \$1,875.00 by a vendor. No BVGC Employee was aware that after a 50% down payment was made and the project was completed, the remainder of the order was not billed. There was no purchase order, therefore, no one was aware that an outstanding debt remained. Additionally, this consistently used vendor produced a lack of information on billings. The vendor did not send a statement of account, the invoices were not timely, no purchase order numbers were listed on the invoices, invoices did not have a beginning or ending balance, and invoices did not always show the down payments made by the Geriatric Center. Relying on the vendor information made it difficult to identify what services were provided to the BVGC and when, what payments the vendor had received, and what the remaining balance was.

- Taxes of \$179.48 were paid.

United Safety charged \$153.84 in PA sales taxes and 25.64 Allegheny County Tax for a total \$179.48, which the Center paid. The BVGC is exempt from the payment of these taxes.

Recommendations:

We recommend that:

An independent review of purchase order, receiving document and invoice be performed by Accounts Payable personnel prior to payment.

A system be implemented to control the receipt of invoices.

An open order file be maintained.